



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE

May 21, 2009

CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER,
REBEKAH CARMICHAEL,
JANICE OH
PUBLIC INFORMATION OFFICE
(212) 637-2600

EPA
ELIZABETH TOTMAN
PUBLIC INFORMATION OFFICE
(212) 637-3662

**UNITED STATES FILES SUIT AGAINST ANADARKO PETROLEUM
CORPORATION AND KERR-MCGEE CORPORATION FOR FRAUDULENT
TRANSFERS DESIGNED TO AVOID HUNDREDS OF MILLIONS OF
DOLLARS IN ENVIRONMENTAL LIABILITIES**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, and GEORGE PAVLOU, the Acting Administrator for Region 2 of the Environmental Protection Agency ("EPA"), announced today the filing of a civil Complaint against KERR-MCGEE CORPORATION and ANADARKO PETROLEUM CORPORATION, which acquired KERR-MCGEE in 2006, for fraudulently attempting to avoid hundreds of millions of dollars in environmental liabilities in connection with KERR-MCGEE's corporate spinoff of its various Tronox entities in 2006.

According to the Complaint and other documents filed in Manhattan bankruptcy court by the United States:

Commencing in the 1920s, KERR-MCGEE has been involved in the oil and gas, mining, forest products, nuclear, and chemical industries. By 2000 KERR-MCGEE had discontinued many of those operations and retained only two main operating businesses: oil and gas exploration, and chemicals. However, KERR-MCGEE remained responsible for significant environmental, tort, and employee benefit liabilities related to its discontinued businesses. In particular, in 1999 the EPA notified KERR-MCGEE that it considered KERR-MCGEE to be liable for cleanup costs at its Manville, New Jersey, site. KERR-MCGEE's directors became immediately concerned not only about the New Jersey site with its now-\$280 million cleanup costs, but also about other similar sites throughout the country.

Thus, beginning in 2001 KERR-MCGEE undertook a series of mergers that converted the original parent company -- with its many years of operations and environmental liabilities -- into a subsidiary of a new "clean" parent company, which was given the same name as the old parent. This reorganization, dubbed "Project Focus," had the effect of isolating KERR-MCGEE's substantial environmental liabilities into the chemical-business subsidiary. In addition, as part of Project Focus, valuable assets were moved out of the chemical business and into the new parent or another subsidiary. KERR-MCGEE also took in the \$537.1 million net proceeds from a \$550 million debt that the chemical subsidiary remained obliged to service.

Then, in 2005, KERR-MCGEE attempted to sell off its chemical business, which it had renamed Tronox. Those efforts were unsuccessful. Unwilling to retain its environmental liabilities, and unable to find a suitable buyer, KERR-MCGEE then elected to spin off Tronox in an initial public offering. KERR-MCGEE kept the \$224.7 million in IPO proceeds, as well as nearly 23 million shares in Tronox. Tronox thereby became an independent company on April 1, 2006. Three months later -- having apparently been freed from its environmental liabilities -- KERR-MCGEE was acquired by ANADARKO for \$18 billion.

Tronox, meanwhile, was forced into bankruptcy. Earlier this month Tronox filed an adversary Complaint against ANADARKO and KERR-MCGEE, alleging that they had spun off Tronox to rid themselves of their accumulated liabilities, stripping Tronox of valuable assets at the same time. The United States has today moved to intervene in that adversary proceeding. In its Complaint, the United States seeks a judgment against ANADARKO and KERR-MCGEE declaring that the avoidance of environmental debts to the Government, and the stripping of assets that could have satisfied those debts, were fraudulent conveyances under the Federal Debt Collection Procedures Act. The Complaint seeks to reverse those transfers, or to obtain a judgment from ANADARKO and KERR-MCGEE for the amounts of those debts.

Mr. DASSIN praised the EPA for its investigative work and thanked the Environment and Natural Resources Division of the Department of Justice for its assistance in this case.

Assistant United States Attorneys MATTHEW L. SCHWARTZ and TOMOKO ONOZAWA, and KATHERINE KANE and MARCELLO MOLLO from the Environment and Natural Resources Division of the Department of Justice, are in charge of the case.